



A GUIDE TO THE NEW PAYPHONE MARKETPLACE

 **BELLSOUTH**



Payphone deregulation is creating a level playing field for real payphone competition in North Carolina.

- Thanks to deregulation, BellSouth and all other payphone providers have the same freedom and flexibility and are subject to the same rules and regulations. Deregulation eliminates all payphone subsidies and provides equal opportunity to compete in the payphone market.
- Today, BellSouth and nearly 500 payphone companies fiercely compete for prime payphone locations throughout the state. Deregulation will spur even more competition in the payphone marketplace.

The local rate increase will preserve the widespread availability of BellSouth payphones throughout North Carolina.

- Without a rate increase, thousands of BellSouth payphones in North Carolina would be at risk because they fail to cover operating costs through a 25 cent local rate. Raising local payphone rates will help ensure that payphones will be widely available to meet customer needs.
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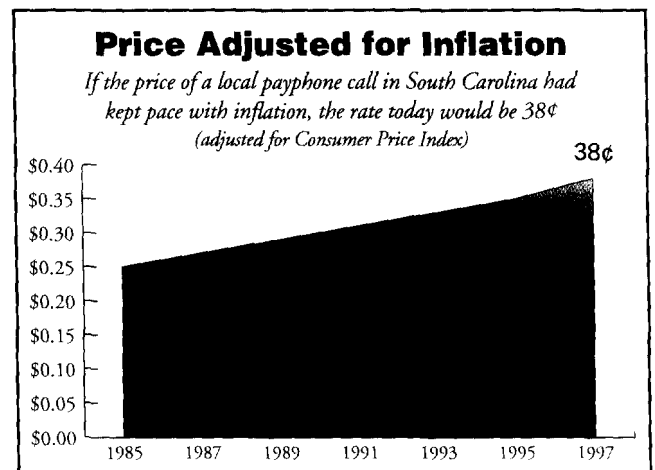
The following state-specific messages, which supplement the general region-wide messages, are designed to explain the new payphone marketplace and the 35 cent call rate to audiences in South Carolina:

A 35 cent price for local payphone calls in South Carolina is reasonable to keep pace with inflation and allows BellSouth to restore flat rate pricing of local calls at its payphones.

■ While the costs of postage stamps, newspapers, and a can of soda from a vending machine have nearly doubled, the initial rate of a local payphone call has remained the same in South Carolina for 12 years.

■ If local payphone rates in South Carolina had kept pace with inflation, a local call would cost 38 cents today.

■ Customers have spoken, and BellSouth has listened. A significant majority of South Carolina consumers prefer flat rate local payphone calls over usage-based pricing. This new price structure is more convenient and allows calls to be completed without interruption.



Given the rising costs of providing payphone service, a 35 cent local payphone rate makes sense.

■ The initial payphone rate for local calls has remained unchanged in South Carolina since 1985. Since then, costs of modern equipment, maintenance, labor and vandalism repair have risen dramatically. A rate increase is necessary to maintain the higher level of service South Carolina payphone users expect from BellSouth.



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- Thanks to deregulation, BellSouth and all other payphone providers have the same freedom and flexibility and are subject to the same rules and regulations. Deregulation eliminates all payphone subsidies and provides equal opportunity to compete in the payphone market.
- Today, BellSouth and more than 1,000 payphone companies fiercely compete for prime payphone locations throughout the state. Deregulation will spur even more competition in the payphone marketplace.

The local rate increase will preserve the widespread availability of BellSouth payphones throughout South Carolina.

- Without a rate increase, thousands of BellSouth payphones in South Carolina would be at risk because they fail to cover operating costs through a 25 cent local rate. Raising local payphone rates will help ensure that payphones will be widely available to meet customer needs.
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The following state-specific messages, which supplement the general region-wide messages, are designed to explain the new payphone marketplace and the 35 cent call rate to audiences in Tennessee:

A 10 cent price increase for local payphone calls in Tennessee is reasonable to keep pace with inflation and allows BellSouth to maintain flat rate pricing of local calls at its payphones.

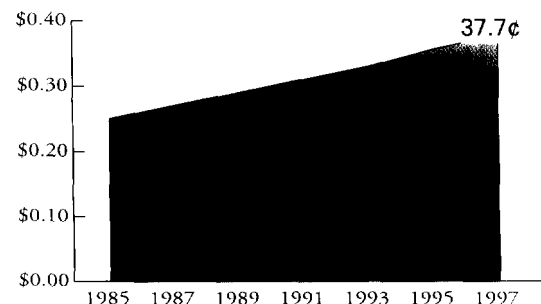
■ While the costs of postage stamps, newspapers, and a can of soda from a vending machine have nearly doubled, the cost of a local payphone call has remained the same in Tennessee for 12 years.

■ If local payphone rates in Tennessee had kept pace with inflation, a local call would cost more than 37 cents today.

■ Customers have spoken, and BellSouth has listened. A significant majority of Tennessee consumers prefer flat rate local payphone calls over usage-based pricing. This price structure is more convenient and allows calls to be completed without interruption.

Price Adjusted for Inflation

If the price of a local payphone call in Tennessee had kept pace with inflation, the rate today would be 37.7¢ (adjusted for Consumer Price Index)




Given the rising costs of providing payphone service, a 35 cent local payphone rate makes sense.

■ The local payphone rate has remained unchanged since 1985. Since then, costs of modern equipment, maintenance, labor and vandalism repair have risen dramatically. A rate increase is necessary to maintain the higher level of service Tennessee payphone users expect from BellSouth.



A GUIDE TO THE NEW PAYPHONE MARKETPLACE



Payphone deregulation is creating a level playing field for real payphone competition in Tennessee.

- Thanks to deregulation, BellSouth and all other payphone providers have the same freedom and flexibility and are subject to the same rules and regulations. Deregulation eliminates all payphone subsidies and provides equal opportunity to compete in the payphone market.
- Today, BellSouth and nearly 400 payphone companies fiercely compete for prime payphone locations throughout the state. Currently BSPC competitors control close to 50 percent of the competitive payphones and payphone revenue in Tennessee. Deregulation will spur even more competition in the payphone marketplace.

The local rate increase will preserve the widespread availability of BellSouth payphones throughout Tennessee.

- Without a rate increase, thousands of BellSouth payphones in Tennessee would be at risk because they fail to cover operating costs through a 25 cent local rate. Raising local payphone rates will help ensure that payphones will be widely available to meet customer needs.
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